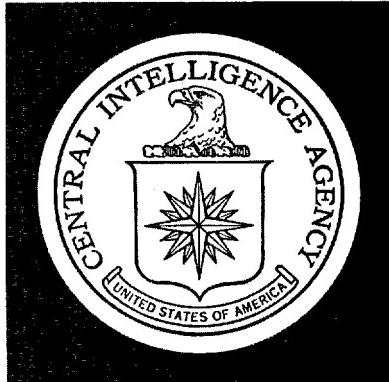


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State Dept. review completed

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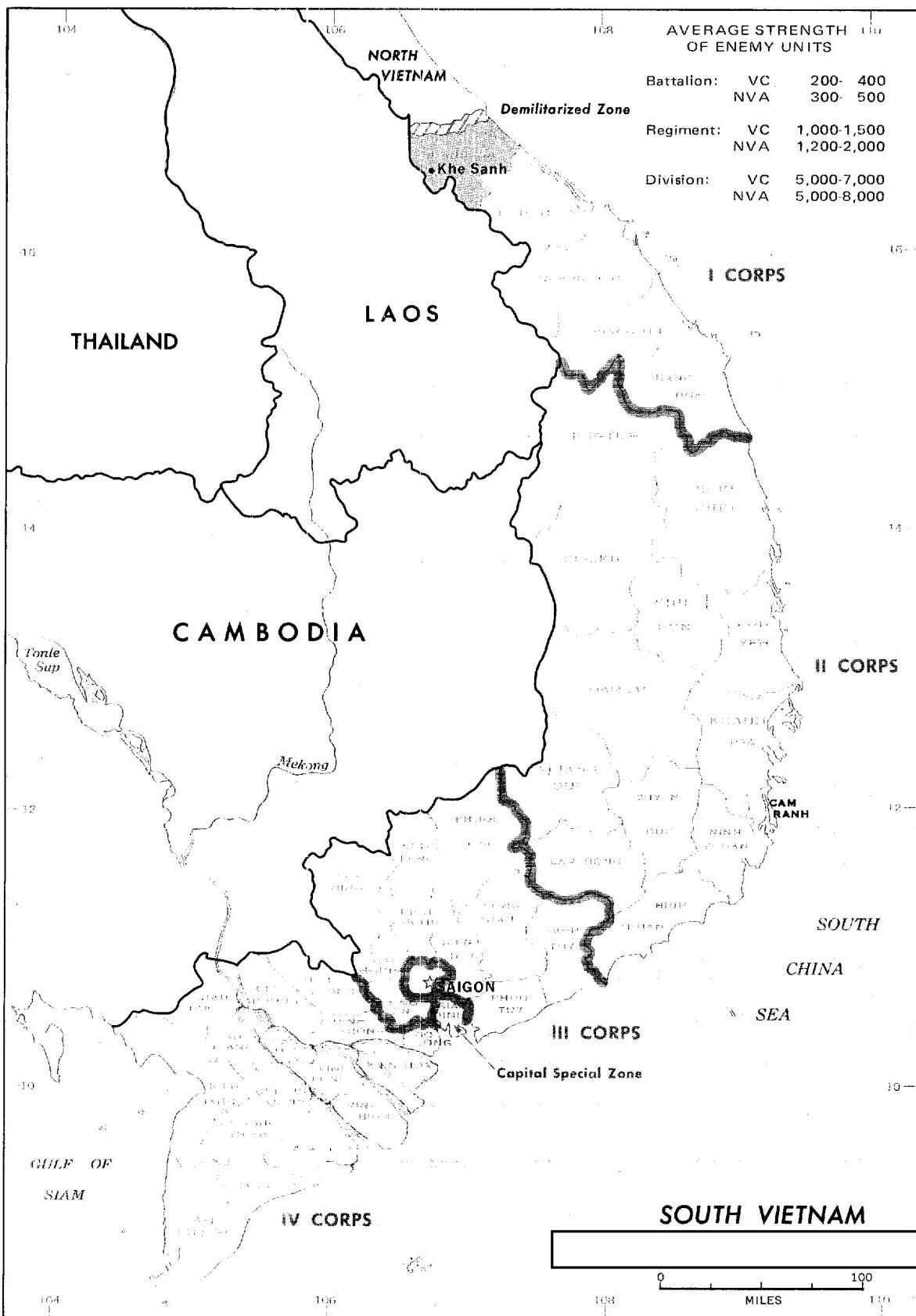
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C South Vietnam: Encounters with enemy forces were reported from all corps areas on 28 April, but these actions were widely scattered and resulted in only limited casualties.

The most significant engagement occurred near Khe Sanh in western Quang Tri Province, where an enemy force staged a prolonged attack on a US mechanized unit. The night-long battle involved heavy exchanges of fire, with the Communists employing satchel charges and flamethrowers. American losses included five killed, 34 wounded, and several armored vehicles damaged or destroyed. The enemy lost at least 34 killed and substantial quantities of ammunition captured. [redacted]

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Korea: Pyongyang is showing increased frustration over its failure to obtain foreign support for its version of the incident of 15 April.

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Moscow's first editorial comment on the affair, contained in Pravda on 27 April, may have been a result of similar prodding. According to the US Embassy in Moscow, the article claimed that the "Soviet people" condemned the "dangerous actions" of the US in the area. This is the closest the Soviets have come to a clear endorsement of North Korean actions.

The article probably reflects Moscow's estimate that the most dangerous part of the US - North Korean confrontation is past, and that the likelihood of Soviet involvement has lessened accordingly. By stating that the US "must" stop its activities--particularly the concentration of forces in the Sea of Japan--the article also served to convey Moscow's uneasiness over a US task force operating relatively near the Soviet Union.

North Korea has made no public comment as yet on the dispersal of US naval units from the Sea of Japan. [redacted]

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*Communist China: The new Chinese politburo reflects the existing balance of forces within the Chinese Communist leadership.

The composition of the 25-member body does not show that any of the competing interest groups in Peking has won a decisive victory. The listing of the members in "alphabetical" order conceals their relative ranking, but the politburo appears to be essentially a compromise product balancing divergent political interests.

Most of Mao's more radical supporters who played major roles in the Cultural Revolution are members. They are offset, however, by an infusion of military men, some of whom were severely criticized early in the Cultural Revolution. The presence of these military leaders signals an attempt to legitimize the army's role in the party and attests to the army's importance in running the state. A major surprise in the new ruling body is the absence of most of the central government ministers who served in the previous politburo; this may suggest some diminution of Premier Chou En-lai's political strength.

Lin Piao's "political report" also suggests that the congress failed to arrive at a consensus on several difficult issues that have beset the leadership in recent months. Lin adopted a vague and rhetorical approach to the problems China faces in the postcongress period and avoided delineating specific programs.

The prime policy issues discussed in detail were the vexing question of how to deal with officials criticized during the Cultural Revolution and the need for renewed attention to increasing production. On both of these matters Lin took a moderate stance. Regarding personnel, he prescribed the "rehabilitation" of large numbers of cadres; this may mean that a considerable number of middle- and lower-level government and party officials will be restored to their posts.

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The report touched relatively little on foreign policy. It included routine, generalized denunciations of the US. There were vituperative attacks on the Soviet Union, but negotiations on the border issue were not ruled out. Reference to "peaceful coexistence" was balanced by general support for "revolutionary wars." In this context, Lin maintained Peking's general silence on the war in Vietnam, which was barely mentioned. [redacted]

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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[France: Potential candidates for the presidency are proceeding cautiously.

Thus far the only announced candidate is leftist Francois Mitterrand. Although he has no official party backing at this juncture, he probably hopes that his willingness to cooperate closely with the Communists--now regarded suspiciously by many leftist leaders--will improve his electoral prospects.

Two other possible candidates, interim President Alain Poher and Independent Republican leader Valery Giscard d'Estaing, made public addresses yesterday but avoided committing themselves to the presidential race. Giscard, although not directly mentioning former prime minister Georges Pompidou--an almost certain but as yet undeclared candidate--implied that he could not support his former boss. Giscard stressed that the candidate he would support must be someone who had not been involved in political clashes between the majority and opposition in recent years.

Poher, in a televised appeal, called for national unity and a "scrupulous respect for the law." He kept Frenchmen guessing, however, about the exact date for new presidential elections. The interim President told newsmen that a cabinet meeting would be called after the first of May to set the day. Most observers expect the first round to be held on 1 June, which would mean a second round on 15 June if no candidate receives a majority on the first ballot.

Despite speculation to the contrary, one who almost certainly will not run is De Gaulle himself. Having turned the referendum into a vote of confidence and having suffered a stinging personal defeat, he probably feels that that issue has already been unmistakably decided. **]**

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[Frenchmen continue to react calmly to the resignation and to the assumption of interim power by Poher. The presence of large contingents of police and gendarmes on the streets and the clear intention of the caretaker government to maintain order appear effectively to have discouraged those who might be tempted to provoke violence.

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Reactions yesterday throughout the major European foreign exchange and gold markets were not as severe as anticipated. Although the French franc was subjected to heavy pressure early in the day, it showed a slight recovery by afternoon. The Bank of France suffered only moderate losses of foreign exchange.

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Venezuela: President Caldera and his advisers are increasingly concerned over Venezuela's declining share of US oil imports.

Caldera told a press conference on 24 April that a recent visit to Washington by the petroleum minister was designed to express his government's strong concern that the country's percentage share of the US market has dropped in the last ten years.

The petroleum industry, dominated by US companies, accounts for 92 percent of total export earnings and 66 percent of the government's revenues. Any decline in petroleum revenues therefore would have an immediate effect on social and economic programs. The Venezuelans' concern has been prompted by declining productivity of Venezuelan wells, Canada's strong entry into the market, and the possibility that exploitation of oil reserves in Alaska could further undercut Venezuela's position.

Caldera said that the fundamental objective of his government is to maintain Venezuela's percentage share of this market and that the US response may be considered as a test of its policy in the hemisphere. The President's statement was probably designed to underscore the importance Venezuelans attach to the coming trip of a delegation to discuss oil matters with US officials. [redacted]

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USSR: The Soviets are only slowly adopting new methods for producing ammonia, an essential ingredient in nitrogen fertilizer.

About 40 percent of all chemical fertilizer produced in the USSR is nitrogen fertilizer. Soviet plans for raising the capacity of its chemical fertilizer plants during 1968-72 probably require that the capacity for producing ammonia be doubled.

Advanced techniques for producing ammonia in the free world have permitted significant savings in capital and operating costs. There was not a single Soviet ammonia plant in operation at the end of 1968, however, comparable in efficiency to the most modern installations in the free world.

Three Soviet plants incorporating the new technology are now under construction. In conjunction with a new plant purchased from France in 1965, they will, however, provide only about one million of the additional six million tons of ammonia capacity required during 1969-72. Further expansion is planned, but it is unlikely that the full potential of these new plants will be realized during the next few years.

Introduction of the new technology may be postponed so that output can be increased immediately by the old methods; this would allow the USSR--as during 1959-65--to achieve its current goals for fertilizer production. In such an event, the average cost of producing ammonia in the Soviet Union would remain significantly higher than in the free world for at least the next several years. [redacted]

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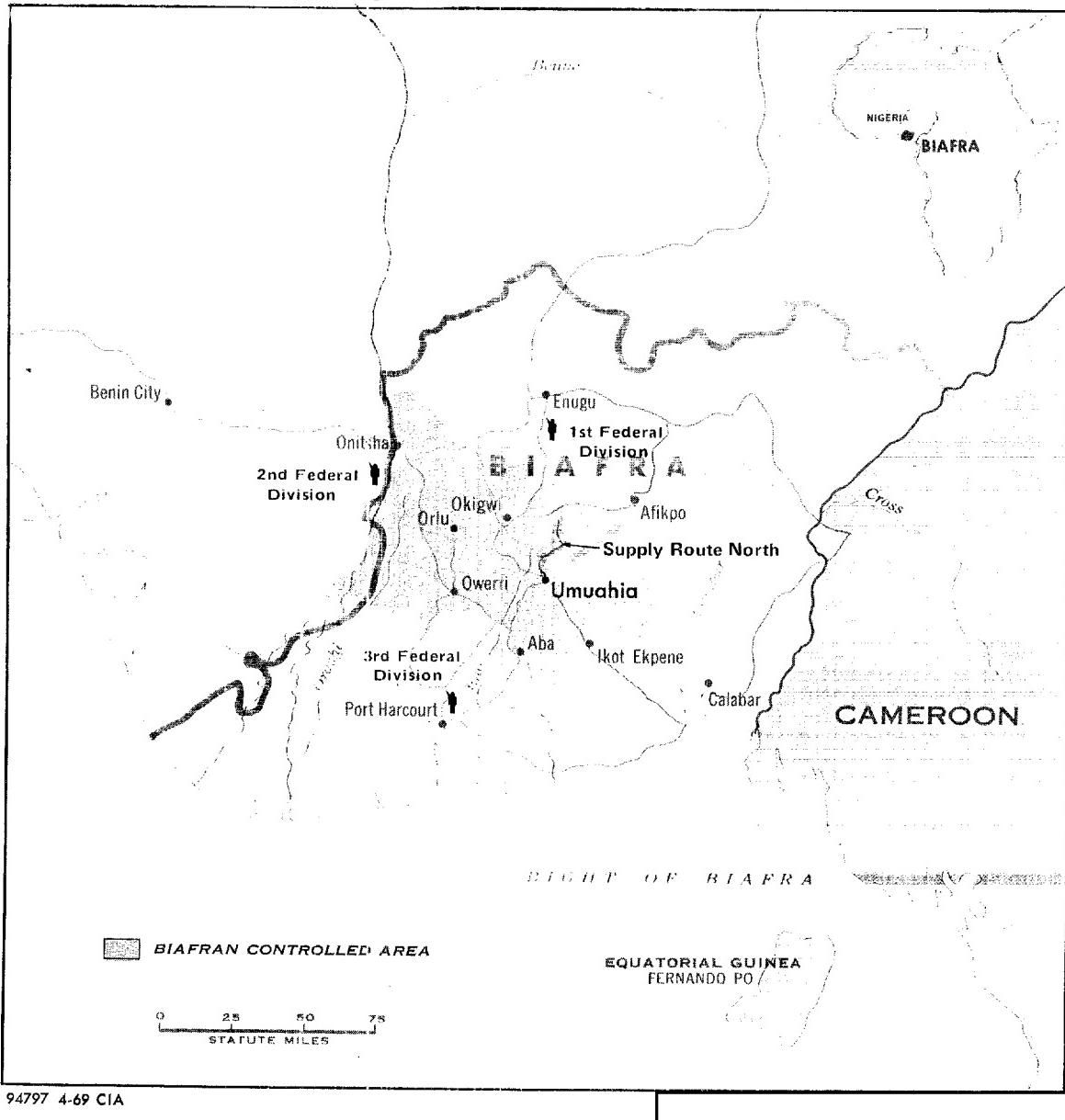
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Nigerian Federal Forces May Attack Westward From Umuahia



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USSR-Czechoslovakia: Rumors are circulating in Moscow that Soviet and Czechoslovak leaders discussed a withdrawal of Soviet occupation forces during the CEMA meeting last week.

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[REDACTED] Brezhnev and Husak worked on a schedule for troop withdrawal which may be announced in the next six weeks. Token withdrawals are possible, but Moscow is not likely to consider a major reduction of its occupation forces or commit itself to a firm timetable.

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West Germany: Prospects for Bonn's early signature of the nuclear nonproliferation treaty, already dim, have faded in the wake of the cabinet's move on 23 April postponing its decision on the treaty. Opponents of the treaty are now saying openly that there is no chance at all for a signature prior to the national election in September. Foreign Minister Brandt, the leader of the protreaty forces, is not exerting as much pressure as he had previously for an early signature. Apparently he wishes in part to spare his Social Democrats political losses which might result from their pushing too hard a treaty which has generated considerable political opposition.

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Nigeria: Elements of the Federal 1st Division that now hold Umuahia, the former Biafran administrative center, may direct their next military thrust west toward the Imo River. A considerable number of Biafran troops are in the areas northeast and northwest of Umuahia, however, and these forces could well interdict the 1st Division's vulnerable supply line north. The Biafrans still hold the important road-junction town of Owerri, which they recaptured on 23 April after cutting federal supply lines south of the town in February.

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Sweden - North Vietnam: Sweden has invited a delegation of North Vietnamese technical experts to Stockholm to discuss assistance in postwar reconstruction, but the Swedes have extended no comparable invitation to the South Vietnamese. The Swedish action came as a surprise to the other Nordic countries. They have been planning with Sweden a post-war assistance program to both Vietnams, and they see the new move as a Swedish domestic political gambit. The Danes, Norwegians, and Finns all expressed willingness, however, to receive the North Vietnamese, if they want to hold discussions in the other Nordic capitals.

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Lebanon - Arab States: Lebanese hopes of gaining inter-Arab support for the government's current campaign against the fedayeen appear faint. Baghdad and Damascus radios and Cairo's "Voice of Fatah" have criticized the Lebanese Government for its actions in suppressing profedayeen demonstrations last week. Lebanese President Hilu has asked for an Arab League meeting to discuss not only the demonstrations but also "related interference in Lebanese affairs." He has pointedly stated that any Arab state wishing to move troops into Lebanon has to ask for Lebanese permission.

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[redacted] many of the new fedayeen that have recently moved into Lebanon are Syrian Army regulars.

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Cyprus: Ankara and the Turkish Cypriots have reacted coolly to new Greek Cypriot proposals for local autonomy for the Turkish Cypriot community. Although the Turkish side was careful not to reject the suggestions out of hand and thereby create a real deadlock in the long series of intercommunal talks, the proposals do not seem to have satisfied the Turkish Cypriots' requirements for ensuring the safety and permanence of their community. The chances for forward motion in the negotiations seem no brighter, but the inclination of both sides to discuss the specifics of the proposals will probably keep the talks in session for the immediate future.

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Venezuela: The government has resolved the legislative impasse that had prevented congress from considering its proposals. Congress had been deadlocked for six weeks over the election of two congressional officers, but a contrived compromise was finally worked out which permits two representatives of President Caldera's unofficial and perhaps temporary congressional allies to fill these posts. The resolution of the crisis may prove to be a hollow victory for Caldera. Although he has honored his political commitments, the final cost of having two important congressional administrative posts in the hands of potentially unreliable supporters could prove troublesome for some of his more controversial legislative proposals.

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